MISSOURI HEALTH AND EDUCATIONAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION AND INDEPENDENT AUDITORS' REPORT FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Missouri Health and Educational Facilities Authority

CONTENTS

Missouri Health and Educational Facilities Authority
MANAGEMENT DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2011 and 2010

This section of the Missouri Health and Educational Facilities Authority (the "Authority") annual financial report presents management's discussion and analysis of the Authority's operations and financial position during the fiscal years ended December 31, 2011 and 2010. This analysis should be read in conjunction with the independent auditors' report, financial statements, notes to the financial statements and supplementary information.

BACKGROUND ON THE AUTHORITY

The Health and Educational Facilities Authority of the State of Missouri was created by an Act of the Missouri General Assembly and became operational in 1979. The Authority is a self-supporting entity under the Office of Administration of the State of Missouri. No taxing power exists and no appropriations or other State support are received by the Authority. It is empowered to make loans to any qualified health or educational institution and to refund outstanding obligations, mortgages or advances issued, made or given for the cost of the facilities. The Authority's transactions are accounted for in a single enterprise fund which is a type of proprietary fund that maintains operations similar to private business enterprises.

The Authority assists Missouri not-for-profit and governmental institutions in borrowing funds at the lowest possible cost to provide quality medical and educational services to Missouri residents. Interest paid on Authority bonds and notes is exempt from Federal and Missouri state income taxation, resulting in materially lower interest rates for substantial savings on financing cost. Many types of health care and education institutions across the state arranged for health facilities ranging from fewer than 100 to over 1,000 beds, including acute and primary care facilities, teaching centers, medical research institutions, osteopathic hospitals, retirement and nursing homes, specialized care centers and alcoholic rehabilitation treatment centers with Authority issued financing. Educational financings include public universities, liberal arts colleges, major research universities and medical schools, institutions of specialized instruction, public school districts, private elementary and secondary schools and charter schools.

During 1985, the Authority became authorized to assist public school districts and community colleges with loans to fund shortfalls in operating funds during the school year.

In 1988, the Authority issued a series of bonds designed to assist organizations that provide care for persons affected by mental disabilities.

During 1995, the Authority was charged with developing guidelines for and the administration of the Direct Deposit Program, which provides strong credit ratings for Missouri school districts. The Authority also developed the HELP Program which provides low interest loans to small health care and educational facilities.

The Authority's bonds and notes do not constitute a debt or liability of the State of Missouri or any political subdivision thereof, within the meaning of any State constitutional provision or statutory limitation. The credit supporting any Authority note or bond issue is the credit of the individual borrowing institution. The bonds and notes are limited obligations of the Authority payable solely from payments made by the borrowing institution.

FINANCIAL HIGHLIGHTS

- The Authority's total net assets increased by $296,193 from 2010 to 2011 and $444,585 from 2009 to 2010.

- During the year ended December 31, 2011, the Authority's total revenues exceeded expenses by $296,193. The Authority had operating expenses of $900,446 in 2011 compared to $837,168 in 2010 and operating revenues of $1,182,477 compared to $1,210,789 for those same years.

OVERVIEW OF THE FINANCIAL STATEMENTS

The three basic statements presented within the financial report are as follows:

- Balance Sheet – This statement presents information reflecting the Authority's assets, liabilities and net assets. Net assets represent the amount of total assets less total liabilities. The balance sheet is categorized as to current and noncurrent assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or become due within one year of the statement date.

- Statement of Revenues, Expenses and Changes in Net Assets – This statement reflects the operating revenue, expenses, and non-operating revenue during the year. Operating revenue is from administrative fees charged to health care and educational institutions. The change in net assets for an enterprise fund is similar to net profit or loss for any other business enterprise.

- Statement of Cash Flows – The statement of cash flows is presented on the direct method of reporting which reflects cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease for the year.

The following summarizes the financial position of the Authority for the years ended December 31, 2011 and 2010.

ASSETS

	2011	2010	Increase (Decrease) 2011 vs 2010
Current assets	$ 7,987,492	$ 7,339,313	$ 648,179
Noncurrent assets	2,632,254	2,929,619	(297,365)
Total Assets	$ 10,619,746	$ 10,268,932	$ 350,814

LIABILITIES AND NET ASSETS

	2011	2010	Increase (Decrease) 2011 vs 2010
Current liabilities	$ 190,137	$ 135,516	$ 54,621
Net assets	10,429,609	10,133,416	296,193
Total Liabilities and Net Assets	$ 10,619,746	$ 10,268,932	$ 350,814

OVERVIEW OF THE FINANCIAL STATEMENTS *(Continued)*

The following summarizes the results of operations of the Authority for the years ended December 31, 2011 and 2010.

	2011	2010	Increase (Decrease) 2011 vs 2010
Operating revenues	$ 1,182,477	$ 1,210,789	($ 28,312)
Operating expenses	900,446	837,168	63,278
Operating Income	282,031	373,621	(91,590)
Non-operating revenue (expense):			
Investment income	14,162	70,964	(56,802)
Change in Net Assets	296,193	444,585	(148,392)
Total Net Assets - Beginning of Year	10,133,416	9,688,831	444,585
Total Net Assets - End of Year	$ 10,429,609	$ 10,133,416	$ 296,193

ANALYSIS

Over 83% of operating revenue comes from annual service fees paid by borrowers as a result of having previously taken advantage of financing opportunities offered by the Authority. Total outstanding transactions continue to increase and demand for new transactions is very strong. The Authority is confident that while its fees and interest rates are low compared to similar issuers in other states, the various operating revenue sources are adequate to maintain the operations of the Authority. Interest income on investment of reserves is the other component of total revenue. Interest rates fluctuated during the year with an overall drastic decrease by year end. As such, total investment revenue in 2011 was significantly lower than in 2010.

The Authority issues bonds, notes and leases on behalf of various health systems, stand-alone hospitals, medical research institutions, long term care facilities, higher educational institutions, public school districts, private elementary and secondary schools and educational systems. In 2011, activity was approximately 60% health care and 40% education in terms of dollar volume and 38% and 62%, respectively, in terms of the number of transactions. Historically, activity has been approximately 65% health care and 35% education in terms of dollar volume and 50% each in terms of the number of transactions.

Fiscal year 2011 represented a typical number of financings. The 16 bond and note issues completed in 2011 represented a typical number historically, and equal to the ten-year average. The dollar volume of $1,107,615,000 was higher than the historic average and the ten-year average as borrowers gained more confidence in the capital markets.

ANALYSIS *(Continued)*

In addition, the Authority's direct loan HELP Program continues to be a success in providing low cost loans to small health and education providers and to public school districts.

The Missouri School District Direct Deposit Program finished the June 30, 2011 fiscal year with 174 transactions and $754,830,519 in school district bonds. The Authority acts as Program Administrator and not issuer; therefore the activity is not recorded in the Authority's financial statements. The program's administration fees were $69,600 for the year ended December 31, 2011 and $68,000 for the year ended December 31, 2010.

ADMINISTRATION OF AUTHORITY CONDUIT DEBT

As of December 31, 2011, the Authority had outstanding $7,385,418,058 of conduit debt in bonds, notes and leases. The total amount outstanding continues to grow as more money is borrowed through the capital markets than is paid off through calls, maturities, refundings, etc. which is well within the expectation, scope and purpose of the Authority. Transactions outstanding include publicly placed bonds with various ratings from Standard & Poor's, Fitch and/or Moody's ranging from AAA/Aaa through BBB-/Baa3, publicly placed bonds that are unrated, privately placed unrated bonds and notes with various short term ratings.

More detailed information regarding the outstanding and defeased debt of the Authority can be found in Note G to the financial statements and in the supplemental information section at the back of the financial statements.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the Authority's finances and to demonstrate its accountability for the monies received. If you have questions about this report or need additional financial information, contact the Authority's Executive Director or Assistant Director at 15450 South Outer Forty Road, Suite 230, Chesterfield, Missouri 63017.

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

Independent Auditors' Report

To the Members of the
Missouri Health and Educational Facilities Authority
Chesterfield, Missouri

We have audited the accompanying balance sheets of the Missouri Health and Educational Facilities Authority (the "Authority") as of December 31, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Health and Educational Facilities Authority as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages *i* - *iv* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Schmersahl Treloar & Co., PC

April 4, 2012

(314) 966-2727 • fax (314) 966-6464 • 10805 Sunset Office Drive, Suite 400 • St. Louis, MO 63127 • e-mail: stcpa@stcpa.com

FINANCIAL STATEMENTS

Missouri Health and Educational Facilities Authority
BALANCE SHEETS

ASSETS

	December 31, 2011	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	$ 7,249,708	$ 6,616,055
Investments	225,000	225,000
Receivables	27,590	26,482
Notes receivable, current portion	440,836	425,680
Prepaid expenses and other current assets	44,358	46,096
Total Current Assets	7,987,492	7,339,313
NOTES RECEIVABLE, NON-CURRENT	2,624,619	2,920,578
PROPERTY, PLANT, AND EQUIPMENT, net	7,635	9,041
TOTAL ASSETS	$ 10,619,746	$ 10,268,932

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable	$ 11,389	$ 5,089
Deferred administrative fee income	178,748	130,427
Total Current Liabilities	190,137	135,516
NET ASSETS		
Unrestricted	10,429,609	10,133,416
TOTAL LIABILITIES AND NET ASSETS	$ 10,619,746	$ 10,268,932

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority
STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

	Years Ended December 31, 2011	2010
REVENUE		
Administrative fees	$ 977,895	$ 992,454
Interest income - HELP program	125,254	125,327
Direct deposit program fees	69,600	68,000
Application fees and other	9,728	25,008
Total Revenue	1,182,477	1,210,789
OPERATING EXPENSES		
Salaries and fringe benefits	395,313	380,591
Legal and professional fees	296,678	240,142
General and administrative expenses	208,455	216,435
Total Operating Expenses	900,446	837,168
Operating Income	282,031	373,621
NON-OPERATING INCOME		
Investment income	14,162	70,964
CHANGES IN NET ASSETS	296,193	444,585
NET ASSETS, Beginning of year	10,133,416	9,688,831
NET ASSETS, End of year	$ 10,429,609	$ 10,133,416

See accompanying notes to financial statements

Missouri Health and Educational Facilities Authority
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from others	$1,230,787	$1,254,248
Cash payments to suppliers for goods and services	(493,991)	(455,717)
Cash paid to employees for services and benefits	(395,313)	(380,591)
Net Change in Cash and Cash Equivalents from Operating Activities	341,483	417,940
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(1,698)	(498)
Issuance of notes receivable	(145,625)	(675,557)
Payments received on notes receivable	426,428	424,584
Purchase of investments	(225,000)	(1,974,000)
Sale of investments	225,000	6,290,000
Investment interest received	13,065	174,630
Net Change in Cash and Cash Equivalents from Investing Activities	292,170	4,239,159
NET CHANGE IN CASH AND CASH EQUIVALENTS	633,653	4,657,099
CASH AND CASH EQUIVALENTS, Beginning of year	6,616,055	1,958,956
CASH AND CASH EQUIVALENTS, End of year	$7,249,708	$6,616,055

RECONCILIATION OF CHANGES IN NET ASSETS TO NET CHANGE IN CASH FROM OPERATING ACTIVITIES

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$ 282,031	$ 373,621
Adjustments to reconcile changes in net assets to net change in cash and cash equivalents from operating activities:		
Depreciation expense	3,104	3,930
(Increase) decrease in assets:		
Receivables - operating	(11)	57,597
Prepaid expenses	1,738	4,591
Increase (decrease) in liabilities:		
Accounts payable	6,300	(7,661)
Deferred administrative fee income	48,321	(14,138)
Net Change in Cash and Cash Equivalents from Operating Activities	$ 341,483	$ 417,940

See accompanying notes to financial statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Missouri Health and Educational Facilities Authority (the "Authority") is a public instrumentality of the State of Missouri intended to provide an additional capital financing method for non-profit and governmental health and educational institutions within the State of Missouri. The Authority may issue tax-exempt revenue bonds, notes or other obligations on behalf of non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustees under the loan agreements.

The Authority is a related organization to the State of Missouri, and as such, the State is accountable for the Authority.

Reporting Entity

The Missouri Health and Educational Facilities Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 *"The Reporting Entity."* The financial statements include all departments and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is a potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

Basis of Accounting and Revenue Recognition

The Authority is organized as a proprietary activity; therefore, the accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recorded when liabilities are incurred. The Authority applies all Governmental Accounting Standards Board (GASB) pronouncements and has elected to apply the following pronouncements issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins. The Authority has elected not to follow FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Authority considers cash equivalents to include short-term investments which generally are investments with maturities of 90 days or less when purchased that are both (1) readily convertible to known amounts of cash, or (2) so near their maturity that they present insignificant risk of change in value because of changes in interest rates. Cash includes $7,203,933 of an insured money market account at December 31, 2011.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and Cash Equivalents *(Continued)*

The Authority maintains its cash in bank deposits which at times may exceed federally insured limits of up to $250,000 for each institution. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31.

Accounts and Notes Receivables

The Authority uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to reserves considered reasonable by management. Management believes that substantially all accounts receivable are collectible and, therefore, has not established an allowance for doubtful accounts at December 31, 2011 or 2010.

Deferred Administrative Fee Income

The Authority's revenues are derived from service fees assessed on a percentage of the outstanding bond principal of each issue. The institutions are generally billed in advance on a quarterly basis and revenues are recognized ratably over the period earned.

Concentration of Credit Risk

$339,403 of the Authority's notes receivable are uncollateralized obligations of two non-profit institutions. (Note C)

Net Assets

Net assets represent the difference between assets and liabilities and are classified as either: capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets; restricted when there are limitations imposed on their use either by law through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments; and unrestricted for those net assets that do not meet the definition of invested in capital assets, net of related debt or restricted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and deferred income approximates fair value due to the short-term maturities of these instruments.

Property and Equipment

Property and equipment consists mainly of office furniture and equipment recorded at cost. Depreciation expense for fixed assets is recognized on the straight-line method over estimated useful lives ranging from three to seven years. Property and equipment activity was as follows:

	December 31, 2009 Balance	Activity	December 31, 2010 Balance	Activity	December 31, 2011 Balance
Total capital assets being depreciated	$ 99,353	$ 498	$ 99,851	($ 28,054)	$ 71,797
Less accumulated depreciation	(86,880)	(3,930)	(90,810)	26,648	(64,162)
Total Property and Equipment, net	$ 12,473	($ 3,432)	$ 9,041	($ 1,406)	$ 7,635

Depreciation expense for the years ended December 31, 2011 and 2010 was 3,104 and 3,930, respectively.

Subsequent Events

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through April 4, 2012, the date the financial statements were available to be issued.

B. INVESTMENTS

The Board has adopted an investment policy which identifies various authorized investment instruments, maturity constraints, investment ratings, and liquidity parameters. Authorized investments include obligations of the United States of America and its agencies; obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service; certificates of deposit which are either insured, secured by specified securities or issued by a bank or other financial institution whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service; repurchase agreements; obligations of banks and other financial institutions whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service and short-term obligations of the Federal National Mortgage Association and Government National Mortgage Association.

B. **INVESTMENTS** *(Continued)*

At December 31, 2011, the Authority had its investments in Certificates of Deposit with the following annual maturities:

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Certificates of Deposit	$ 225,000	$ 225,000	$ -	$ -	$ -

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, Missouri Health and Educational Facilities Authority's deposits may not be returned to it. The Authority's Certificates of Deposit are invested either in banks with a rating of AA or AAA or in banks who deposit the funds through the Certificate of Deposit Account Registry Service (CDARS) program. As of December 31, 2011, none of the Authority's Certificate of Deposit balance of $225,000 was exposed to custodial credit risk as uninsured and uncollateralized.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority holds Certificates of Deposit with maturities generally ranging from three months to two years. The Authority's policy is to hold investments which mature or are redeemable at the option of the holder on a date or date prior to the time when the funds so invested will be required for expenditure.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. The Authority's policy is defined by Missouri statute and limits investments to obligations of the United States of America and its agencies; obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service; certificates of deposit which are either insured, secured by specified securities or issued by a bank or other financial institution whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service; repurchase agreements; obligations of banks and other financial institutions whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service and short-term obligations of the Federal National Mortgage Association and Government National Mortgage Association. The Authority's investments consist of Certificates of Deposit which are protected up to $250,000 per bank by the Federal Deposit Insurance Corporation. No uninsured amount exists at December 31, 2011.

B. INVESTMENTS *(Continued)*

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the concentration of an entity's investment in a single issuer. The Authority's policy is defined by Missouri statute and limits investments to obligations of the United States of America and its agencies; obligations of any State or political subdivision rated within the top two rating categories of any nationally recognized rating service; certificates of deposit which are either insured, secured by specified securities or issued by a bank or other financial institution whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service; repurchase agreements; obligations of banks and other financial institutions whose outstanding unsecured long-term debt is rated within the top two rating categories of any nationally recognized rating service and short-term obligations of the Federal National Mortgage Association and Government National Mortgage Association.

C. NOTES RECEIVABLE

The Authority has made loans to school districts and small and rural providers of health and educational services at interest rates of 2.95% to 5.00% per annum on outstanding balances. These loans require monthly principal and interest payments and have a maturity of ten to twenty years.

At December 31, 2011 and 2010, the interest bearing notes receivable are as follows:

	Due	2011	2010
Citizen Memorial Healthcare	2019	$ 328,628	$ 360,690
Community Hospital	2013	34,682	57,729
Forest Institute of Prof. Psychology	2018	170,318	194,024
I-70 Medical Center	2015	85,226	105,888
Jordan Valley Community Health Center	2018	269,739	306,515
Katy Trail Community Health	2018	138,658	166,536
La Plata R-II School District	2017	253,038	290,413
Mexico #59 of Audrain County	2019	310,407	346,851
Miriam School & Foundation	2020	529,966	582,752
Nodaway-Holt R7 of Nodaway and Holt	2020	66,879	73,408
Northeast Missouri Health Council	2022	129,619	138,688
Northwest Health Services, Inc.	2012	4,727	23,056
Northwest Health Services, Inc.	2014	67,026	88,509
Family Health Center of Boone County	2021	139,332	-
Steelville R-3 of Crawford County	2018	272,524	309,771
Western Johnson County Health Clinic	2018	264,686	301,428
Total Notes Receivable		3,065,455	3,346,258
Current Portion		(440,836)	(425,680)
Notes Receivable, Non-Current		$2,624,619	$2,920,578

D. LEASE COMMITMENT

In January 2009, the Authority entered into a 6-year lease agreement for office space. The effective date of the lease is May 2009. Previous to 2009, the Authority leased office space at the same location under a seventy-two month office lease agreement that was entered into in April 1997 and amended April 2003. Future minimum lease payments under the lease is as follows:

Year Ending December 31,	
2012	$ 77,428
2013	78,301
2014	79,175
2015	26,489
Total	$261,393

Rent expense was $76,502 and $75,107 for the years ended December 31, 2011 and 2010, respectively.

E. PENSION PLAN

The Authority has a defined contribution retirement plan covering all full-time employees. The Authority contributes to the plan, on a quarterly basis in arrears, an amount equal to twenty percent of each qualified employee's salary. Such contributions are fully vested. For the years ended December 31, 2011 and 2010, expenses under this plan were $57,281 and $55,348, respectively.

F. DEFERRED COMPENSATION PLAN

The Authority has a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available to all Authority employees who qualify under the plan terms, and permits employees to defer a portion of their salary until future years. As required by the Internal Revenue Code, the plan assets have been placed in a trust for the exclusive benefit of the employees and are not the property of the Authority or subject to the claims of the Authority's general creditors. Accordingly, the assets of the plan are not reflected in the financial statements.

G. CONDUIT DEBT OBLIGATIONS

The Authority has issued debt obligations on behalf of certain non-profit institutions for the purpose of construction, improvement of facilities or the refinancing of outstanding debt. These bonds, notes or other obligations and the interest thereon do not constitute a debt or liability of the Authority, the State of Missouri or any political subdivision thereof, but are special obligations between the investors and the debtors payable solely from the payments received by the trustee under the loan agreements and meet the definition of conduit debt in Governmental Accounting Standards Board Interpretation No. 2, Disclosure of Conduit Debt Obligations. The number of issues and principal amount outstanding at December 31, 2011 and 2010 are as follows:

	2011		2010	
	Number of Issues	Principal Amount	Number of Issues	Principal Amount
Revenue Bonds Payable	130	$ 7,374,518,058	131	$ 7,188,730,932
School District Advance Funding and Private Education Notes Payable	3	10,900,000	2	9,200,000
Total	133	$ 7,385,418,058	133	$ 7,197,930,932

SUPPLEMENTAL

INFORMATION

SCHMERSAHL TRELOAR & CO.
Certified Public Accountants

Independent Auditors' Report
On Additional Information

To the Members of the
Missouri Health and Educational Facilities Authority
Chesterfield, Missouri

Our report on our audits of the basic financial statements of the Missouri Health and Educational Facilities Authority for the years ended December 31, 2011 and 2010 appears on page 1 of the statements. Those audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Conduit Debt is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Schmersahl Treloar & Co., PC
April 4, 2012

(314) 966-2727 • fax (314) 966-6464 • 10805 Sunset Office Drive, Suite 400 • St. Louis, MO 63127 • e-mail: stcpa@stcpa.com

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2011 and 2010

MORTGAGE AND REVENUE BONDS PAYABLE

The following revenue bonds of the Authority are collateralized by either or both of a pledge of the revenues of the borrowing institution or by first mortgages on the physical property financed with the proceeds of the debt offerings and by the Authority's assignment of its interest in the mortgaged properties to the trustees of the bond issues at December 31, 2011 and 2010:

PUBLIC PLACEMENT REVENUE BONDS PAYABLE

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2011	2010
Academie Lafayette	2003	2028	(1)	$ 2,550,000	$ 2,550,000
Ascension Health	2003	2026-2039	(1)	193,325,000	193,325,000
Ascension Health	2008C	2015-2026	(1)	102,050,000	102,050,000
A.T. Still University*	2011	2013-2041	2.0-4.0	25,150,000	-
Barstow School	2008	2010-2040	(1)	10,010,000	10,185,000
BJC Health System*	1993	1994-2021	2.70-6.00	45,900,000	59,740,000
BJC Health System*	2003	2016-2033	4.125-5.25	221,000,000	221,000,000
BJC Health System*	2005AB	2015-2034	4.125-5.00	157,890,000	157,890,000
BJC Health System*	2008ABCDE	2014-2038	(1)	368,575,000	368,575,000
Bethesda Health Group Inc.*	2009	2010-2041	3.5	76,430,000	77,375,000
Capital Region Medical*	1998	1999-2028	3.35-5.30	-	18,875,000
Capital Region Medical*	2004	2005-2029	2.25-5.75	-	15,150,000
Capital Region Medical*	2011	2012-2027	2.25-4	32,835,000	-
Children's Mercy Hospital*	2008AB	2009-2032	(1)	69,175,000	71,550,000
Children's Mercy Hospital	2009	2011-2039	2-5.625	179,215,000	181,485,000
Christian Brothers College HS	2002ABC	2032	(1)	35,000,000	40,000,000
Cox Medical Center*	1992	1995-2022	4.25-6.70	12,602,292	12,602,292
Cox Medical Center*	1993	1994-2015	2.60-5.35	22,890,000	22,890,000
Cox Medical Center	2008ABC	2011-2043	(1)	267,360,000	267,500,000
Deaconess Long-Term Care*	1996	1997-2016	(1)	9,195,000	11,510,000
Deaconess Long-Term Care*	2000	2001-2030	(1)	3,670,000	3,835,000
De Smet Jesuit High School	2002	2027	(1)	12,790,000	13,370,000
Drury University*	1999A	2000-2024	(1)	21,185,000	22,405,000
Drury University	2003	2028	(1)	4,065,000	4,770,000
Freeman Health System*	1994	1995-2024	4.50-7.20	36,645,000	38,555,000
Freeman Health System*	1998	1999-2028	4.15-5.25	11,905,000	13,435,000
Jefferson Memorial Hospital*	2004	2005-2028	2.30-5.25	32,035,000	33,045,000
Jefferson Memorial Hospital*	2005	2006-2020	3.00-4.50	3,910,000	4,590,000
John Burroughs School	2003	2004-2014	1.25-4.20	2,035,000	2,665,000
K.C. Univ. of Med. & Biosciences*	2001	2002-2031	2.75-5.00	6,855,000	7,055,000
Kansas City Art Institute	2005	2035	(1)	12,000,000	12,000,000
Lake Regional Health System*	2003	2005-2034	2.35-5.70	24,125,000	24,660,000
Lake Regional Health System*	2010	2010-2020	3-5	27,285,000	27,980,000
				$ 2,029,657,292	$ 2,042,617,292

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2011 and 2010
(Continued)

PUBLIC PLACEMENT REVENUE BONDS PAYABLE *(Continued)*

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2011	2010
Lutheran Church Extension Fund	2004A	2029	(1)	$ 19,760,000	$ 22,700,000
Lutheran Church Extension Fund	2007	2037	(1)	27,215,000	27,910,000
Lutheran HS Assoc. Project	2002	2022	(1)	3,140,000	3,140,000
Lutheran Senior Services	2000	2031	(1)	43,560,000	44,775,000
Lutheran Senior Services*	2005A	2024-2035	4.60-5.375	30,000,000	30,000,000
Lutheran Senior Services*	2005B	2006-2027	3.15-5.125	18,190,000	18,950,000
Lutheran Senior Services*	2007ABC	2008-2042	4.00-5.00	55,585,000	57,110,000
Lutheran Senior Services*	2008	2032-2039	(1)	50,000,000	50,000,000
Lutheran Senior Services*	2010	2010-2042	(1)	38,300,000	38,300,000
Lutheran Senior Services*	2011	2015-2041	3.1-5	47,425,000	-
Maryville University*	2006	2007-2030	3.70-5.00	21,555,000	22,285,000
Maryville University*	2010	2010-2021	(1)	15,300,000	15,300,000
Missouri Baptist College	2010	2010-2035	4.7	23,530,000	23,530,000
Missouri Pooled Hospital Loan Program*	1999A	2002-2029	(1)	12,240,000	13,040,000
Missouri State University	2002	2003-2016	1.35-4.35	9,685,000	9,960,000
Mother of Good Counsel Home	2007	2037	(1)	-	10,000,000
Parkside Meadows*	2007	2008-2027	(1)	10,907,000	10,907,000
Pembroke Hill School*	1998	1999-2023	(1)	11,750,000	12,000,000
Pembroke Hill School*	2001	2002-2026	(1)	8,500,000	8,650,000
Ranken Technical College*	2007	2007-2031	(1)	-	14,425,000
Ranken Technical College	2011AB	2012-2031	(2)	17,340,000	-
Rockhurst University*	1999	1999-2028	3.50-5.50	-	12,005,000
Rockhurst University	2002	2003-2032	(1)	-	22,790,000
Rockhurst University	2011AB	2012-2036	(1)	44,645,000	-
SEMO University '10 A,B	2010	2010-2040	(1)	58,280,000	59,255,000
Sisters of Mercy	2001ABC	2031	(1)	378,300,000	378,300,000
Sisters of Mercy	2008ABC	2009-2019	(1)	-	88,425,000
Sisters of Mercy	2008DEFGH	2025-2039	(1)	-	300,000,000
Southwest Baptist University*	1998	1999-2023	4.15-5.40	4,445,000	4,705,000
Southwest Baptist University	2003	2006-2033	(1)	6,795,000	7,010,000
SSM Health Care*	2002AB	2003-2020	(2)	70,695,000	80,675,000
SSM Health Care*	2005ABCD	2008-2035	(1)	324,025,000	327,025,000
SSM Health Care*	2008A	2020-2036	5.0	104,000,000	104,000,000
SSM Health Care*	2010BCDE	2010-2045	(1)	447,170,000	448,620,000
St. Anthony's Medical Center*	2005AB	2006-2030	(1)	72,650,000	75,200,000
St. Anthony's Medical Center*	2006AB	2009-2036	(1)	68,050,000	68,750,000
St. Francis Medical Center*	1996	1997-2026	(1)	10,140,000	10,890,000
St. John Vianney H.S.	2005	2030	(1)	4,000,000	4,000,000
St. John Vianney H.S.	2006	2018	(1)	3,500,000	3,500,000
St. Louis Charter School*	2002AB	2004-2023	4.25-5.10	4,600,000	4,850,000
St. Louis College of Pharmacy*	2006	2007-2027	3.20-4.40	37,860,000	39,545,000
				$ 2,103,137,000	$ 2,472,527,000

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2011 and 2010
(Continued)

PUBLIC PLACEMENT REVENUE BONDS PAYABLE *(Continued)*

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2011	2010
St. Louis Priory School	2009	2033	(1)	$ 3,550,000	$ 9,760,000
St. Louis University*	1998	1999-2018	4.00-5.50	21,670,000	26,950,000
St. Louis University	1999AB	2000-2024	(1)	39,385,000	41,560,000
St. Louis University	2002	2003-2032	(1)	8,175,000	8,175,000
St. Louis University*	2003A	2003-2016	(1)	3,420,000	4,910,000
St. Louis University	2008AB	2008-2035	(1)	164,730,000	166,515,000
St. Louis University HS	1999	1999-2028	2.95-5.00	4,215,000	4,215,000
St. Louis University HS	2007	2007-2028	3.75-4.25	13,165,000	14,175,000
St. Luke's Episc.-Presb. Hospital*	2001	2003-2026	3.35-5.25	-	53,835,000
St. Luke's Episc.-Presb. Hospital	2011	2012-2025	2.5-5.25	39,930,000	-
St. Luke's Health System*	2003AB	2020-2032	(1)	125,000,000	125,000,000
St. Luke's Health System	2004A	2004-2019	2.00-5.00	57,440,000	63,165,000
St. Luke's Health System*	2005AB	2020-2035	(1)	100,000,000	100,000,000
St. Luke's Health System*	2007	2017-2036	4.50-5.00	54,210,000	54,210,000
St. Luke's Health System	2008ABC	2021-2040	(1)	140,000,000	140,000,000
St. Luke's Health System*	2010A	2010-2041	(1)	95,720,000	97,880,000
St. Pius-KC/St. Joseph Diocese	2004AB	2029	(1)	-	5,855,000
St. Pius-KC/St. Joseph Diocese*	2011	2012-2029	(2)	5,620,000	-
Stephens College*	1999	2000-2029	4.10-6.00	3,480,000	3,580,000
Stowers Institute	2000	2035	(1)	215,000,000	215,000,000
Stowers Institute*	2002	2032-2036	(1)	75,000,000	75,000,000
Truman Medical Center	2005	2014	(1)	-	8,400,000
Univ. of Missouri Arena Project*	2001	2004-2021	3.00-5.00	-	24,530,000
University of Missouri-MU Project	2011	2012-2021	2.0-5.0	20,125,000	-
University of Central Missouri	2002	2003-2017	1.25-4.35	6,765,000	7,750,000
University of Central Missouri*	2009	2010-2029	1.5-5.05	18,980,000	19,745,000
Washington University	1996	2030	(1)	142,400,000	142,400,000
Washington University	1998A	2037	4.75-5.00	-	105,770,000
Washington University	2000ABC	2030-2040	(2)	88,000,000	88,000,000
Washington University	2001A	2011-2041	5.00-5.50	48,250,000	53,390,000
Washington University	2001B	2030	5.00	-	73,355,000
Washington University	2003A	2033	5.00	93,430,000	93,430,000
Washington University	2003B	2033	(1)	25,135,000	25,135,000
Washington University*	2004AB	2006-2034	(1)	88,300,000	90,500,000
Washington University	2005A	2006-2022	3.00-5.00	14,940,000	15,980,000
Washington University*	2007AB	2021-2041	4.20-5.00	230,995,000	230,995,000
Washington University	2008A	2018-2039	5.25-5.375	193,625,000	193,625,000
Washington University	2009A	2030-2039	4.5-5	93,770,000	93,770,000
Washingtion University*	2011ABC	2012-2041	0.75-4.45	196,830,000	-
Webster University	2001	2003-2027	3.625-5.50	-	27,875,000
Webster University	2011	2015-2036	4.0-5.0	61,385,000	-
William Jewell College*	2005	2006-2035	2.75-4.450	14,500,000	15,105,000
Total Public Placement Revenue Bonds Payable				$ 6,639,934,292	$ 7,034,684,292

Missouri Health and Educational Facilities Authority
SCHEDULE OF CONDUIT DEBT
UNAUDITED December 31, 2011 and 2010
(Continued)

PRIVATE PLACEMENT REVENUE BONDS PAYABLE

Institution	Series	Due in Varying Installments During	Range of Annual Interest Rate Percentages	2011	2010
Avila University	2011AB	2012-2031	(1)	$ 17,435,000	$ -
Barat Academy	2007	2007-2037	5.95	12,500,000	12,500,000
BJC Health System*	2011AB	2043-2046	(1)	200,000,000	-
Burrell Behavioral Health	2011	2012-2031	3.12	2,376,000	-
Churchill School	2008	2009-2026	(1)	4,729,000	4,984,000
Cox Medical Centers	2007	2007-2017	4.32	3,054,440	3,527,961
Crider Health Center	2009	2010-2029	(1)	5,719,100	5,956,700
Dialysis Clinic	2000	2001-2020	(1)	2,300,000	2,500,000
Family Care Health Center	2010	2010-2020	3.31	2,061,960	2,255,034
Fr. Augistine Tolton	2010	2010-2017	(1)	7,075,000	7,075,000
Fontbonne College	2009	2010-2034	5.7	12,970,000	13,305,000
Forsyth School	1996	1996-2016	6.99	448,300	524,600
Forsyth School	2004	2006-2024	(1)	2,638,884	2,849,996
Kansas City Academy	1993	1993-2013	6.50	25,444	41,091
Lee's Summit Christian School	2010	2010-2030	(1)	9,065,000	9,365,000
Life Flight Eagle	2003	2004-2013	5.25	2,692,809	2,947,315
Life Flight Eagle	2007	2007-2017	4.30	2,294,163	2,498,650
Living Word Christian School	2002	2002-2027	(1)	3,601,073	3,761,510
Mercy Health	2011ABCD	2012-2039	(1)	376,425,000	-
Pembroke Hill School	2009	2010-2027	(1)	11,060,000	14,200,000
Preferred Family Healthcare	2009A	2009-2015	4.46	6,224,641	6,571,673
Preferred Family Healthcare	2009B	2009-2029	(1)	-	1,179,000
Preferred Family Healthcare	2011	2012-2031	(1)	4,581,720	-
Rockhurst High School	2010ABC	2010-2036	(1)	19,345,000	19,965,000
SSM Health Care	2006	2006-2011	3.79	-	1,486,481
SSM Health Care	2007	2007-2012	3.56	1,615,358	3,703,399
SSM Health Care	2009	2009-2014	(1)	17,060,483	22,920,360
St. Anthony's Medical Center	2007	2007-2014	4.01	1,169,696	1,621,567
Truman Medical Center	2002	2003-2012	5.47	372,694	893,950
Truman Medical Center	2006ABC	2007-2018	5.20-5.435	4,956,282	6,516,037
University of Central Missouri	2007	2008-2017	4.90	786,719	897,316
Total Private Placement Revenue Bonds Payable				734,583,766	154,046,640
Total Revenue Bonds Payable				$ 7,374,518,058	$ 7,188,730,932

(1) Rate fluctuates within established minimum and maximum ranges.
(2) Interest rate range applies to a portion of this bond issue, and a variable rate applies to the remainder.
* Subject to mandatory redemption.

SCHOOL DISTRICT ADVANCE FUNDING AND PRIVATE EDUCATION NOTES PAYABLE

The Authority issues public school notes for the purpose of providing funds to purchase the tax and revenue anticipation notes ("TRANS") of certain Missouri school districts and to assist them in maintaining an orderly cash flow. These notes are collateralized by the "TRANS", bear interest at the rate of 2.00% per annum, and are issued pursuant to Indentures of Trust. At December 31, 2011 and 2010, no public school notes were outstanding.

The Authority also issues private education notes for the purpose of providing funds, assisting in capital projects and maintaining orderly cash flows. The notes bear interest at a rate of 4.00% per annum, are issued pursuant to an Indenture of Trust and are secured by a pledge of the Trust Estate, using any and all available resources. At December 31, 2011 and 2010, total private education school notes outstanding were $10,900,000 and $9,200,000, respectively. The notes have a one year term and mature on April 26, 2011 and April 23, 2010, respectively.

At December 31, 2011 and 2010, the outstanding public school and private education notes payable were as follows:

	2011	2010
PRIVATE EDUCATION NOTES PAYABLE		
Drury University	$ 4,000,000	$ 4,000,000
Rockhurst University	4,900,000	5,200,000
Ranken Technical College	2,000,000	-
Total Private Education Notes Payable	10,900,000	9,200,000
Total Public School and Private Education Notes Payable	$ 10,900,000	$ 9,200,000

MATURITIES OF OUTSTANDING CONDUIT DEBT OBLIGATIONS

The aggregate maturities of the outstanding conduit debt obligations above at December 31, 2011, are as follows:

Year	Amount
2012	$ 136,974,560
2013	117,672,480
2014	149,155,425
2015	164,476,915
2016	179,922,397
2017-2021	805,845,383
2022-2026	954,758,108
2027-2031	1,357,673,650
2032-2036	1,712,240,381
2037-2041	1,448,943,759
2042-2046	357,755,000
Total	$ 7,385,418,058

DEFEASED BOND ISSUES

Since 1983, certain institutions obtained financing to advance refund and defease their outstanding Revenue Bonds through the Authority.

Pursuant to the requirements of the bond loan agreements, the institutions have deposited amounts into escrow trust accounts sufficient to pay all outstanding principal, interest and redemption premiums as they become due. The amounts so transferred are pledged solely for the holders of the outstanding bonds.

At December 31, 2011, no amounts of advance refunded and defeased bonds were outstanding.